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# Central Intelligence Bulletin

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[REDACTED] March 21, 1974 [REDACTED]

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NORTH VIETNAM: Troop infiltration to South Vietnam has increased sharply in recent weeks, but the total this dry season will probably still fall short of most earlier years.

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JAPAN-USSR: Prime Minister Tanaka is proposing an early beginning for the scheduled Japanese-Soviet negotiations on a World War II peace treaty. According to a Japanese Foreign Ministry official this message was contained in a personal note from Tanaka to Brezhnev delivered yesterday.

It had been expected that the on-again, off-again treaty negotiations would begin no earlier than this fall. If Tanaka has actually taken the initiative to call for an earlier date, it is probably because he feels a need to demonstrate some forward motion on the foreign policy front to the Japanese public--perhaps even an early visit to Tokyo by Chairman Brezhnev himself--prior to this summer's elections for the upper house of the Diet. The same impulse is probably responsible for Tanaka's recent decision to begin working-level discussions in Peking on an aviation accord with the Chinese.

The one issue blocking the signing of a peace treaty is the disposition of the "Northern Territories"--the small islands off Hokkaido occupied by the Soviets in 1945--and on this issue Soviet statements have not been encouraging to the Japanese. In the past several weeks, Moscow has warned publicly and privately that the Japanese Government must back down from demands for return of the islands. Nevertheless, on March 12, Pravda raised the possibility of some concession to the Japanese on fishing rights in the disputed area. In doing so, Moscow may be suggesting that another round of talks on the island issue need not be entirely unproductive for Japan. The Japanese, for their part, hold to the view that they have a Soviet commitment to include the Northern Territories among those issues to be discussed in any peace treaty negotiations.

The climate for Japanese-Soviet talks on political issues has been improved by the initialing on March 9 of a preliminary agreement for joint exploitation of Siberia's South Yakutian coal basin.

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JAPAN: Japanese firms in Southeast Asia have begun to alter their investment patterns in an effort to quiet growing anti-Japanese sentiment in the region, recently expressed in hostile demonstrations against Prime Minister Tanaka during his visits to Thailand and Indonesia. The companies' actions are in line with the new policy Tokyo is developing on regulating investments abroad.

Three major firms operating in the area have decided to raise local ownership in their joint ventures to at least 50 percent. One firm also will further reduce its already minority position in some ventures, and another may allow public stock purchase in local ventures. Other major Japanese firms will probably follow suit.

A bill now being drafted by the government contains provisions for limiting the share of Japanese ownership in overseas ventures, transferring ownership to local interests in the future, promoting more local hiring, and increasing reinvestment of profits.

Although the Japanese are moving to reduce their high visibility in Southeast Asia, they will probably continue to expand their economic presence in the region. Japan already is the leading foreign investor in Thailand and Indonesia, and is among the largest investors in Malaysia, Singapore, and the Philippines.

Because of rising land and labor costs in Japan, Southeast Asian countries will continue to be attractive to the Japanese as sites for manufacturing plants that can take advantage of the region's low-paid labor force. These ventures are geared to expanding local sales and exporting to Japan as well as other countries. Also, the area is becoming an increasingly important source of raw materials for Japan. Indonesia, for example, already supplies nearly one fifth of Japan's oil requirements.

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SPAIN: The government has decided to play down for the time being its dispute with Bishop Anoveros over his support for Basque autonomy and to concentrate on working out changes in the concordat with the Vatican that might help improve church-state relations.

The minister of information has given a mild response to last week's statement from the Episcopate on the prerogatives of the church under the concordat. Noting that the recent tensions between church and state had demonstrated that the existing system regulating church-state relations is inadequate, he called for renewed negotiations on the concordat. By not insisting that Anoveros be exiled, the government has avoided for now a confrontation with the Vatican.

Meanwhile, Anoveros has quietly departed for a vacation in southern Spain. A few days earlier he had returned to his bishopric in Bilbao after attending a special meeting of the bishops' conference in Madrid.

It is not known how long Anoveros will remain on vacation. If he does not return after a reasonable time, his absence may cause more unrest in the Basque area, where he has become a hero-martyr. Rumors persist that he may be "kicked upstairs" to a post outside the Basque region.

Although the government has backed off somewhat, the outlook for church-state relations is not good. Madrid is unlikely to agree to the Episcopate's wish to speak out on temporal affairs, and negotiations to revise the concordat will be difficult. Criticism of the regime by any of the bishops could lead to another confrontation.

The recent turn toward moderation is generally credited to Franco, while earlier mishandling of the case is attributed to Prime Minister Arias or some of his ministers. There are reports of deep differences in the cabinet over the issue. The necessity for Franco to intervene in this dispute raises the question of who will arbitrate differences in the government when Franco is gone. [redacted]

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ARGENTINA: President Peron's chronic health problems and need for rest may have prompted him to renew plans to visit Madrid.

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Last week the Argentine press reported that Peron was ill with a cold and had to curtail some of his official activities.

Peron planned to go to Spain for minor surgery and rest earlier this year, but was forced to cancel the trip because of political problems with the Peronist left. These troubles have increased recently with continuing terrorism, the crisis in Cordoba, and the angry reaction of Peronist youth to the recent jailing of one of their leaders. Although he must be reluctant to leave the country at this time, the heavy pressures seem to be forcing him to take a respite from a very active schedule.

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IRON ORE: An informal group of iron ore producing countries will meet next week in Geneva to discuss the effects of the international economic situation on ore prices. The group, which was formed several years ago in an apparent attempt to influence world iron ore trade and prices, consists of Brazil, Chile, Venezuela, Gabon, India, Liberia, and Peru.

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Because these countries account for only about 30 percent of world iron ore exports, there is little likelihood of their being able to impose effective controls over world prices unless other major exporters such as Australia, Canada, the USSR, and Sweden decide to participate. The group may be trying to expand its membership and will probably invite representatives from other iron ore producing countries as observers.

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Kuwait: The Council of Ministers has increased the capital of the Kuwaiti Fund for Arab Economic Development from some \$670 million to over \$3.3 billion, and has expanded fund recipients to include developing countries as well as the poorer Arab states. The action was taken following the recommendation at the Islamic Summit Conference last month that Arab oil-producing countries channel more aid to other Arab and developing countries. The fund is the oldest and most active of the rapidly growing number of Arab aid funds and has distributed more than \$400 million for development projects since its founding in 1961. [redacted]

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Abu Dhabi - Yugoslavia: A large Yugoslav military sales team is scheduled to arrive in Abu Dhabi later this month to demonstrate Yugoslav-made military equipment. The Yugoslavs are interested in selling an assortment of small arms to the Abu Dhabi Defense Force. Sheikh Zayid, the ruler, reportedly has made \$75 million available for Yugoslav equipment. The two countries concluded their first arms deal, a small order for anti-aircraft guns, in April 1973; the guns arrived late last year accompanied by a ten-man Yugoslav military advisory team. [redacted]

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